

BEFORE THE COMMISSIONER OF THE
SS.
INDIANA DEPARTMENT OF INSURANCE

CORRECTED AND RESTATED
FINDINGS OF FACT, CONCLUSIONS OF LAW
AND ORDER GRANTING APPLICATION¹

The Commissioner issued her Findings of Fact, Conclusions of Law and Order Granting Application on April 11, 2001. The Commissioner has determined that it contained clerical errors. Pursuant to Indiana Code 4-21.5-3-31, the Commissioner is issuing this Corrected and Restated Findings of Fact, Conclusions of Law and Order Granting Application which replaces the initial Order and is deemed to be issued on April 11, 2001, the date of the initial Order.

Indianapolis Life (the "Members") will vote on whether the Conversion should occur. The Policyholder Information Statement distributed to Members and the Plan serve as the basis for the vote of Indianapolis Life's Members.

Based upon Indianapolis Life's application (including exhibits thereto and all supplements), other filings, records, files and the public hearing and proceedings in the above-captioned matter, the Commissioner makes the following:

FINDINGS OF FACT

I. Procedural History

1. Indianapolis Life is an Indiana domestic mutual life insurance company.
2. On September 18, 2000, the Board of Directors of Indianapolis Life unanimously approved the Plan.
3. On September 21, 2000, Indianapolis Life filed with the Commissioner an Application for Approval of the Plan. Supplements to the Application were filed on November 2, 2000 and February 9, 2001 (as so amended and supplemented, the "Application") (Hearing Exhibits A-1, A-2 and A-3).
4. Indianapolis Life proposes to convert under the Indiana Demutualization Law from a mutual life insurance company to a stock life insurance company with ILICO Holdings, Inc., an Indiana stock insurance holding company (the "Holding Company"), as Indianapolis Life's immediate parent, and AmerUs Group Co. ("AmerUs"), a publicly traded Iowa stock insurance holding company, as Indianapolis Life's ultimate parent.
5. Under the Plan, immediately after the Conversion, Indianapolis Life will merge with and into CLA Assurance Company ("CLA"), an Iowa stock life insurance company that is wholly-owned by AmerUs, with Indianapolis Life surviving the merger (the "Combination"). Immediately following the Combination, AmerUs will contribute the stock of Indianapolis Life to the Holding Company. As a result of these transactions, Indianapolis Life will be an indirect, wholly-owned subsidiary of AmerUs.² The contractual rights of all policyholders of Indianapolis Life will remain with the converted Indianapolis Life. Eligible Members of Indianapolis Life will exchange their Membership Interests in Indianapolis Life for consideration in the form of common stock of AmerUs, cash and additional policy credits. Those former Members of Indianapolis Life that receive shares of the common stock of AmerUs in exchange for their

² The Application for Acquisition of Control of Indianapolis Life by AmerUs and the Holding Company came on for public hearing before the Commissioner on March 22, 2001.

Membership Interests will become shareholders of AmerUs and will have all the rights to which shareholders of AmerUs are entitled.

6. Pursuant to Indiana Code 27-15-4-2 and Indiana Code 4-22-2-26, a public hearing was held on March 20, 2001 at 10:00 a.m. at the Hyatt Regency Indianapolis, Indianapolis, Indiana. Notice was mailed to each Member and policyholder of Indianapolis Life as required by Indiana Code 27-15-4-4. (Hearing Exhibits A-4 and A-5). The notice was included as part of the Policyholder Information Statement mailed by Indianapolis Life in which the Conversion and Combination were explained and Members were provided notice of the opportunity to elect the form of consideration they wish to receive.
7. Notice of the public hearing was made in Indianapolis, Indiana, the city in which the principal office of Indianapolis Life is located, by publication in the *Indianapolis Star* on February 12, 2001 and February 27, 2001, as required by Indiana Code 27-15-4-5. (Hearing Exhibits A-7 and A-8).
8. As required by Indiana Code 4-22-2-26 and Indiana Code 27-15-4-6, all persons who attended the public hearing were given an opportunity to present information, views, arguments or comments about the Plan and Conversion. The Commissioner provided the opportunity for attendees to submit written questions, which the Department incorporated into its questions.
9. The persons who attended the public hearing on behalf of the Department were: Commissioner Sally McCarty; Amy Strati, the Department's Chief Legal Counsel; John Murphy and Christine Fitzgerald of the law firm of Stroock & Stroock & Lavan LLP, legal advisors to the Department; Justin Milberg and Arthur Brumiller of the investment banking firm of Dresdner Kleinwort Wassertstein, Inc., financial advisor to the Department; and Jeff Beckley of Deloitte & Touche LLP, actuarial advisor to the Department. Indianapolis Life was represented by Tibor Klopfer and Emily Marshall of the law firm of Baker & Daniels.
10. At the public hearing, Indianapolis Life presented witnesses who gave direct testimony in support of the Application and who were available for questioning by the Department and its advisers as to matters relevant to the Application. Indianapolis Life's witnesses were: Larry R. Prible, Chairman, President and Chief Executive Officer of Indianapolis Life; John J. Fahrenbach, Senior Vice President and Chief Financial Officer of Indianapolis Life; Richard T. Freije, Jr., Senior Vice President and Chief Administrative and Legal Officer of Indianapolis Life; Celeste Guth, a managing director of Goldman Sachs & Co., financial advisor to Indianapolis Life; Jesse Schwartz, a principal and consulting actuary with PricewaterhouseCoopers LLP, actuarial advisor to Indianapolis Life; and Joseph Haggerty, Vice President and General Counsel of AmerUs. (Hearing Exhibits A-15 through A-19).
11. The Department participated in the public hearing through the questioning of Indianapolis Life's witnesses and through the submission of the following exhibits into the record in lieu of presenting its own witnesses: Exhibit D-1, an actuarial opinion delivered by Deloitte & Touche LLP relating to the closed block established by

Indianapolis Life in respect of the Conversion; Exhibit D-2, an actuarial opinion delivered by Deloitte & Touche LLP relating to the actuarial contribution calculation to be used by Indianapolis Life for computing the amount of policyholder consideration to be distributed to each eligible Member; and Exhibit D-3, an opinion delivered by Dresdner Kleinwort Wasserstein, Inc. with respect to the fairness, from a financial point of view, of the consideration payable under the Plan.

12. The Department received written comments from David E. Monson, CLU, a policyholder and an agent of Indianapolis Life (Exhibits D-4 and D-5). Mr. Monson testified at the public hearing and submitted a written question which the Department incorporated into its own questions. D. Scott Brennan, president of the Association of General Agents and an agent of Indianapolis Life, also testified at the public hearing.
13. The Commissioner adjourned the public hearing at approximately 3:00 p.m.
14. The Department kept the record open until 10:00 a.m. on Thursday, March 22, 2001 and received one additional written statement submitted by Elliot Wohlner, trustee for the Christopher R. Jacoby trust and the Richard L. Jacoby trust, which are joint owners of a policy issued by Indianapolis Life. (Exhibit D-6).

II. Description of Indianapolis Life and Affiliations

15. Indianapolis Life is an Indiana domestic mutual life insurance company founded in 1905. Its executive offices are located in Indianapolis, Indiana. As a mutual company, Indianapolis Life has no capital stock and no stockholders.
16. Indianapolis Life's primary business is the marketing and sale of a broad range of financial products and services, including individual life insurance policies, individual fixed and variable annuity contracts, and private label insurance products.
17. Indianapolis Life has a downstream stock holding company, Indianapolis Life Group of Companies ("IL Group"). In February 2000, as an initial step toward the Combination, AmerUs purchased for \$100 million, 105.9627 shares of non-voting common stock of IL Group, representing 45% of the equity interest of IL Group. Indianapolis Life owns 55% of the outstanding equity in IL Group. AmerUs subsequently transferred ownership of some of that stock to certain of its subsidiaries. Following the Conversion and Combination, AmerUs and its subsidiaries have the right to convert those shares into voting common stock. Indianapolis Life used the \$100 million to repay a series of investments in IL Group that had been previously made by American United Life Insurance Company and Legacy Marketing Group (the "Investments").
18. IL Group owns four operating subsidiaries: IL Annuity and Insurance Company ("IL Annuity"), a Kansas domestic life insurance company that specializes in the development, marketing and administration of annuity products; Bankers Life Insurance Company of New York ("Bankers Life"), a New York domestic life insurance company that provides the development and administration of universal life products; Western Security Life Insurance Company ("Western Security"), an Arizona domestic life insurance company that manufactures and administers term life insurance products for

Indianapolis Life and its subsidiaries and for Indianapolis Life's private label partners; and IL Securities, Inc. ("IL Securities"), a registered broker-dealer that facilitates the marketing of certain variable products.

19. Indianapolis Life has several private label arrangements with other insurance companies, under which Indianapolis Life and its subsidiaries manufacture and administer life insurance and annuity products that are distributed by such other life insurance companies.

III. Description of the Conversion and the Combination

20. Any person that owns an in-force policy issued by Indianapolis Life is a Member of Indianapolis Life. A Membership Interest, as that term is defined in the Plan and in Indiana Code 27-15-1-10, consists of: voting rights as provided by law and by Indianapolis Life's Articles of Incorporation and Bylaws; and the right to receive cash, stock, or other consideration in the event of a conversion to a stock insurance company under the Indiana Demutualization Law or a dissolution under Indiana Code 27-1-10, and by Indianapolis Life's current Articles of Incorporation and Bylaws.
21. Under the Plan, each Eligible Member's Membership Interest in Indianapolis Life will be exchanged for policyholder consideration in the form of shares of the common stock of AmerUs, cash or policy credits. Each Member's contract rights under his policy (*e.g.*, rights to participating dividends, if any, or payments in the event the Member dies or surrenders the policy) will remain with the converted Indianapolis Life.
22. After the Conversion and Combination are completed, all of the voting shares of Indianapolis Life will be held by the Holding Company, which in turn will be a wholly-owned subsidiary of AmerUs.
23. The Conversion and Combination do not involve an initial public offering of any capital stock of Indianapolis Life or any other company created by or in connection with these transactions. The common stock of AmerUs is publicly traded on the New York Stock Exchange under the symbol "AMH".
24. Richard T. Freije, Jr., Senior Vice President and Chief Administrative and Legal Officer of Indianapolis Life, testified that the Conversion and Combination were structured to allow the transaction to qualify as a tax-free reorganization under the United States Internal Revenue Code.
25. Mr. Freije then testified as to the tax consequences of the Conversion to Eligible Members of Indianapolis Life, stating that in general, Eligible Members receiving AmerUs common stock will not be taxed upon receipt of the stock under the Plan. If the former Member sells or otherwise disposes of the stock, he will be taxed generally on the full amount of the proceeds from that sale or disposition as a long- or short-term capital gain, depending upon the length of time that the former Member held the stock. Eligible Members that receive cash generally will be taxed on the full amount of the cash in the year that it is received, as a long- or short-term capital gain depending upon how long the

Member's policy was in effect prior to the Conversion. The receipt of policy credits will not currently be taxable to policyholders who receive them. Mr. Freije also testified that:

- (i) Indianapolis Life had requested a Private Letter Ruling from the United States Internal Revenue Service regarding the tax consequences of the Conversion;
 - (ii) Indianapolis Life has sought a Prohibited Transaction Exemption from the United States Department of Labor, in connection with the distribution of policyholder consideration to certain policyholders that are ERISA fiduciaries and are to receive policy credits under the Plan. (Hearing Exhibit A-10);
 - (iii) Indianapolis Life had sought and received a letter from the United States Securities Exchange Commission stating that no action will be taken by that agency in connection with the distribution of shares of AmerUs common stock to Eligible Members under the Plan. (Hearing Exhibit A-12); and
 - (iv) Subject to compliance with applicable securities laws, AmerUs has agreed to establish a commission-free sales program within twelve (12) months following the Conversion to allow those Eligible Members that receive less than 100 shares of AmerUs common stock as consideration to sell those shares for cash or purchase additional shares to increase the total shares owned to 100.
26. Joseph Haggerty, Vice President and General Counsel of AmerUs, testified that AmerUs had provided a commitment letter to the Department in which AmerUs agreed to maintain a presence in Indianapolis following the Combination, including the maintaining of employment at or near historical levels. (Application Exhibit 14).

IV. Company's Rationale for the Conversion and Combination

27. Indianapolis Life stated that a principal purpose for the Conversion and Combination is to improve Indianapolis Life's access to capital and thereby strengthen Indianapolis Life's ability to meet its contractual obligations and to permit the company to grow its existing business and develop new business opportunities in the insurance industry. Larry R. Prible, the Chairman, Chief Executive Officer and President of Indianapolis Life testified that the decision to proceed with the Conversion and Combination was motivated by four objectives: (i) enhancing the value of Membership Interests and realizing the fair value of Indianapolis Life for its Members; (ii) maintaining the financial strength of Indianapolis Life and creating the financial flexibility for additional capital to support Indianapolis Life's growth initiatives; (iii) enhancing Indianapolis Life's product line and range of services to existing policyholders and new clients; and (iv) maintaining a local presence in Indiana to continue Indianapolis Life's tradition of community service.

V. Form, Amount and Allocation of Policyholder Consideration

28. Mr. Freije testified that Eligible Members of Indianapolis Life would receive consideration in the form of shares of AmerUs common stock, cash and policy credits having an aggregate value equal to the value of 9.3 million shares of AmerUs common stock. Eligible Members are those Members of Indianapolis Life who are owners of

insurance policies or contracts that were in force as of September 18, 2000, the date the Plan was adopted by Indianapolis Life's Board of Directors, and which remain in force on the Effective Date of the Plan.

29. Eligible Members may affirmatively elect to receive AmerUs common stock or cash. Eligible Members may not affirmatively elect to receive policy credits, and only Eligible Members who own policies for which the distribution of cash or stock would result in adverse tax consequences will receive policy credits. The total number of Eligible Members receiving cash and policy credits would not exceed 10% of the total number of Eligible Members of Indianapolis Life, so that some Eligible Members who elect (or are deemed to have elected) to receive cash would probably instead receive shares of AmerUs common stock. Additional cash may be paid at the discretion of Indianapolis Life and AmerUS to Eligible Members that elect (or are deemed to have elected) cash, but not to exceed the amount that will allow the merger with CLA Assurance Company to qualify as a tax-free reorganization within the meaning of Internal Revenue Code Section 368(a)(2)(E). (Hearing Exhibit A-17).
30. Jesse M. Schwartz, a principal of PricewaterhouseCoopers LLP, a member of the American Academy of Actuaries and a Fellow by examination of the Society of Actuaries, testified that each Eligible Member of Indianapolis Life will be allocated 12 shares of AmerUs common stock as a fixed component of consideration plus a variable component of consideration equal to the portion, if any, of the aggregate variable component of the consideration allocated to each policy owned by that Eligible Member. The method of allocation is specified in Section 7.3 of the Plan and in the Actuarial Contribution Memorandum. (Plan Exhibit H).
31. Mr. Schwartz also testified that, in his opinion, the methodology for allocation of consideration among Eligible Members under the Plan is reasonable, appropriate and consistent with the Indiana Demutualization Law. (Hearing Exhibit A-19). PricewaterhouseCoopers LLP provided an Actuarial Opinion, signed by Mr. Schwartz, that the methodology for allocation of consideration among Indianapolis Life's Eligible Members was reasonable and appropriate, and consistent with the Indiana Demutualization Law. (Hearing Exhibit A-1, Application Exhibit 11).

VI. Aggregate Amount of Consideration Provided to Eligible Members

32. The fair value of Indianapolis Life was determined through a process directed by Indianapolis Life's Board of Directors and carried out with the assistance of Indianapolis Life's financial advisors. Indianapolis Life and Goldman Sachs & Co. conducted a bid process that solicited offers from potential bidders to determine the value of Indianapolis Life. Celeste A. Guth, a Managing Director of Goldman Sachs & Co., Indianapolis Life's financial advisor, testified that Goldman Sachs & Co. assisted Indianapolis Life in the process of selecting a business partner from among several proposals and determining which proposal best met the company's objectives. Indianapolis Life received several bids from potential buyers and chose to negotiate with AmerUs. On February 18, 2000, Indianapolis Life entered into a Combination and Investment Agreement (the "Combination Agreement") with AmerUs which provided that, subject to approval by the

Commissioner and other applicable regulatory approvals, and subject to approval by Indianapolis Life policyholders and AmerUs shareholders, Indianapolis Life would demutualize and its Eligible Members would receive consideration equal to the value of 11.25 million shares of AmerUs common stock.

33. Mr. Fahrenbach testified that the Combination Agreement was amended on September 18, 2000 as a result of certain changed circumstances of Indianapolis Life, including adverse business developments suffered by Indianapolis Life, an increase in the projected cost of the Conversion, and an increase in the value of AmerUs common stock. Under the amended Combination Agreement, the aggregate value to be distributed to Eligible Members was reduced to 9.3 million shares of AmerUs common stock. Mr. Fahrenbach testified that the value paid to the Eligible Members of Indianapolis Life will exceed Indianapolis Life's statutory surplus, and that if the aggregate value of the shares does not exceed \$186 million, Indianapolis Life is not obligated to consummate the Combination unless AmerUs voluntarily agrees to increase the number of shares of AmerUs common stock allocated to Indianapolis Life's Eligible Members so that the aggregate value of all consideration to be paid to Indianapolis Life's Eligible Members under the Plan is not less than \$186 million. As of December 31, 2000, Indianapolis Life's statutory surplus was \$91.6 million; therefore, the aggregate value distributed to Indianapolis Life's Eligible Members will exceed the statutory surplus of Indianapolis Life.
34. Indianapolis Life received a written fairness opinion from Goldman Sachs & Co., stating that the exchange of the aggregate membership interest in Indianapolis Life for the aggregate consideration to be paid to Eligible Members under the Plan was fair from a financial point of view to the Eligible Members taken as a group. (Hearing Exhibit A-1). Goldman Sachs & Co. also provided Indianapolis Life with a letter stating that the then-current assumed value of the aggregate consideration to be paid to Eligible Members under the Plan was greater than the statutory surplus of Indianapolis Life as of June 30, 2000. (Hearing Exhibit A-1).
35. Mr. Fahrenbach testified that after the Conversion and Combination, Indianapolis Life will have adequate capital and surplus to ensure its future solvency in part, because AmerUs, rather than Indianapolis Life, is paying the fair value of Indianapolis Life to Indianapolis Life's Eligible Members. Thus, Indianapolis Life's surplus would not be impaired because of the Conversion.

VII. The Closed Block

36. Indiana Code 27-15-2-2 requires that the Plan provide for the determination and preservation of the reasonable dividend expectations of Indianapolis Life's policyholders with policies that provide for the distribution of policy dividends through the establishment of a Closed Block. Indianapolis Life's proposed Plan includes a Closed Block.
37. Mr. Fahrenbach testified that Indianapolis Life established a Closed Block to give reasonable assurance to the owners of participating policies that funds will be available to maintain Indianapolis Life's current dividend scale, if the experience underlying that

dividend scale continues. In general, to be included in the Closed Block, a policy must be an individual policy of a type or class that has an experience-based dividend due or paid in 2000 and that is in force on the Effective Date of the Plan. (Plan Exhibits I and J).

38. Indiana Code 27-15-11 contains specific requirements regarding the use of a Closed Block mechanism. The Closed Block must be operated for the exclusive benefit of included policies and contracts. No costs or expenses incurred in connection with the Conversion and Combination may be charged to the Closed Block, and subject to termination of the Closed Block under Indiana Code 27-15-11-7, none of the assets allocated to the Closed Block or the revenue derived from those assets may revert to the benefit of the stockholders of Indianapolis Life or any parent company. The assets allocated to the Closed Block, together with the revenue from the Closed Block, must be reasonably sufficient to: (i) support the business in the Closed Block until the last policy in the Closed Block has terminated, including payment of claims and those expenses and taxes that are specified in the Plan; (ii) provide for the continuation of dividend scales in effect on September 18, 2000, the date Indianapolis Life's Board of Directors adopted the Plan, if the experience underlying those scales continues; and (iii) provide for appropriate adjustments to the scales if the underlying experience changes.
39. Mr. Schwartz testified that, in his opinion, the Closed Block satisfies the requirements of Indiana Code 27-15-11.

VIII. The Department's Witnesses

40. The Department admitted three exhibits on its own behalf. (Exhibits D-1, D-2 and D-3).
41. Exhibit D-1 is a Statement of Actuarial Opinion from Deloitte & Touche LLP, the Department's actuarial advisor. It provides: (i) the methods set forth in the Plan and in the Actuarial Contribution Memorandum allocate the consideration to be given to Indianapolis Life's Eligible Members in a reasonable and appropriate manner which takes into account the estimated proportionate contribution of each class of policies and contracts to the aggregate consideration being given to Eligible Members; (ii) the objective of the Actuarial Contribution calculation, as set forth in Section 1 of the Actuarial Contribution Memorandum, is appropriate; (iii) the actuarial assumptions set forth in the Actuarial Contribution Memorandum are conceptually appropriate for use in establishing the compensation level for each Eligible Member; (iv) the methodology used in the Actuarial Contribution calculation as described in the Actuarial Contribution Memorandum is appropriate; (v) provided that the total amount of funds set aside to compensate Eligible Members is correct, the method set forth in the Actuarial Contribution Memorandum for determining how these funds will be distributed is correct; and (vi) the relationship between the fixed component and the variable component, as set forth in the Plan, is reasonable and appropriate.
42. Exhibit D-2 is also a Statement of Actuarial Opinion from Deloitte & Touche LLP, the Department's actuarial advisor. It provides: (i) the objective of the Closed Block, as set forth in the second paragraph of the Closed Block Memorandum attached to the Plan as Exhibit I, is appropriate; (ii) the categories of policies included in, and excluded from the

Closed Block, as set forth in Schedules K and L of the Plan, are appropriate; (iii) the actuarial assumptions set forth in the Closed Block Memorandum are conceptually appropriate for use in funding the Closed Block; (iv) the methods of operation of the Closed Block, as set forth in the Closed Block Memorandum, including the nature of the initial assets, the investment policy and the manner in which cash flows are charged and credited to the Closed Block, are appropriate; (v) provided that the numerical values ultimately established for all actuarial assumptions are found to be appropriate, the method set forth in the Closed Block Memorandum for determining the amount of assets initially assigned to the Closed Block is appropriate; and (vi) the method of determining and the amount of initial funding associated with the policies to be included in the Closed Block as of the Closed Block funding date of March 31, 2000 are appropriate.

43. Exhibit D-3 is an Opinion from Dresdner Kleinwort Wasserstein, Inc., the Department's financial advisor. It provides: (i) the exchange of the aggregate Membership Interests in Indianapolis Life for the aggregate consideration to be paid to the Eligible Members of Indianapolis Life pursuant to the Plan is fair, from a financial point of view, to the Eligible Members of Indianapolis Life as a group; and (ii) the value of the aggregate consideration is greater than the statutory surplus of Indianapolis Life as of December 31, 2000.

IX. Consideration of the Comments and Discussion

44. Under Indiana Code 27-15-4-8, the Commissioner must determine: (i) whether the amount and form of consideration to be distributed to Indianapolis Life's Eligible Members is fair in the aggregate and to each Member class; (ii) that the Plan and any amendment to Indianapolis Life's Articles of Incorporation comply with applicable laws; (iii) that the terms of the Plan are fair, reasonable, and equitable to Eligible Members; (iv) that the terms of the Plan will not prejudice the interests of the other policyholders of Indianapolis Life; and (v) that the total consideration provided to Indianapolis Life's Eligible Members upon the extinguishing of the Membership Interests is equal to or greater than the surplus of Indianapolis Life.
45. Ms. Guth testified that Goldman Sachs & Co. had advised Indianapolis Life's Board of Directors about alternatives to demutualization. One alternative would have been to demutualization and remain an independent stock company, which would have involved an initial public offering ("IPO") of Indianapolis Life's stock. Goldman Sachs & Co. advised that an IPO of Indianapolis Life's stock presented several concerns, including: (i) the preparation of an IPO would require significant time and resources; (ii) an IPO would not allow Indianapolis Life to repay the Investments or provide working capital necessary to execute a demutualization in a timely manner; and (iii) an IPO would be highly unlikely to succeed given the then-current conditions prevalent in the capital markets.
46. Elliot Wohlner, trustee for the Christopher R. Jacoby Trust and the Richard L Jacoby Trust, owners of Policy #00001182712, issued by Indianapolis Life, submitted a written statement to the Department, included as Exhibit D-4. Mr. Wohlner, in his written statement, objected to the Conversion and Combination on the ground that the amount

and form of consideration to be given to Eligible Members is not fair, because it is far below the median value in comparable transactions. Mr. Schwartz, Ms. Guth and Mr. Fahrenbach all testified that the value of Indianapolis Life to be distributed to Indianapolis Life's Eligible Members was likely to be more than twice the amount of Indianapolis Life's statutory surplus, and thus more than twice the amount that Eligible Members would receive in the event of a demutualization conducted without the Combination or upon a dissolution of Indianapolis Life.

47. David E. Monson, CLU, testified that he was a policyholder of Indianapolis Life and that he also represented Indianapolis Life as an agent. Mr. Monson submitted a written statement, admitted at the public hearing as Exhibit D-5, and a written question, which was incorporated into the Department's questioning of the representatives of Indianapolis Life. Mr. Monson criticized past decreases in Indianapolis Life's dividend scale and increases in expense charges. Mr. Monson also questioned whether the Department's actuarial advisor had properly addressed the issue of whether the expense charges included in the Closed Block Memorandum were appropriate for the policies included in the Closed Block.
48. D. Scott Brennan, president of the Association of General Agents, a trade group comprised solely of general agents of Indianapolis Life, testified that he was concerned the dividends paid by Indianapolis Life have declined severely over the past ten years and expenses have "run wild". Mr. Brennan also expressed dissatisfaction over the level of compensation paid to the officers of Indianapolis Life.
49. The Commissioner and the other representatives of the Department present at the public hearing questioned the representatives of Indianapolis Life.
50. The Commissioner asked what factors were considered in determining a fair value range for Indianapolis Life. Ms. Guth testified that a wide range of factors were considered. Ms. Guth further testified that Indianapolis Life's Board of Directors conducted an auction-like process by approaching a large number of potential business partners, so that the value that was derived was almost by definition "market value".
51. The Commissioner asked why it was necessary to renegotiate the amount of consideration to be distributed to Indianapolis Life's Eligible Members. Mr. Freije responded that the expectations upon which the bid solicitation and the initial negotiations with AmerUs that were conducted in June 1999 were not met, necessitating a decrease in the amount of consideration to be paid by AmerUs. Ms. Guth testified that overall, results in 2000 were 13% less and results in 2001 were projected to be 10% less than the projections contained in the June 1999 bid solicitation materials. Mr. Murphy asked why the consideration was decreased by more than 10%. Ms. Guth explained that the stock price of AmerUs had increased, so that while the number of shares was reduced from 11.25 million to 9.3 million, the per-share value of the shares to be distributed had increased, so that the aggregate decrease in value of the consideration to be distributed was commensurate with the decline in the results of Indianapolis Life.

52. The Commissioner asked how the composition of the Indianapolis Life Board of Directors following the Conversion and Combination was derived. Mr. Prible testified that the major consideration was the relative sizes of Indianapolis Life and AmerUs. The Commissioner then asked how the compensation levels of the executives of Indianapolis Life following the Conversion and Combination were determined. Mr. Prible responded that compensation elements were aligned with market practice, and that expected compensation would essentially be at the same level as prior to the Conversion and Combination. Mr. Prible further testified that both pre- and post-Conversion compensation was comprised of three elements: (i) base salary; (ii) an annual incentive plan based upon the achievement of certain pre-approved performance targets for Indianapolis Life; and (iii) a long-term incentive plan. Prior to the Combination, the long term incentive component was the investment of an amount equal to the annual incentive amount over a five-year period. Following the Combination, the AmerUs stock option plan will serve as the long-term incentive component.
53. Ms. Strati asked how the failure to complete the transaction would affect Indianapolis Life. Mr. Freije replied that Indianapolis Life would be obligated to repay to AmerUs the \$100 million invested in IL Group, and that strategically, Indianapolis Life would be in the same position as before the Combination. Mr. Freije also stated that, if the transactions were not completed, Indianapolis Life would again move to position itself to be partnered with another larger entity to achieve the objectives intended to be accomplished through the Combination.
54. Ms. Strati asked Indianapolis Life's representatives to describe any provisions of the Plan or applicable statutes that restrict a potential acquirer's ability to accumulate shares in AmerUs after the Combination. Mr. Haggerty testified that there are provisions of Iowa law that prohibit the acquisition of more than 10% of the shares of AmerUs stock for five (5) years following the demutualization of an insurance company. AmerUs demutualized in 2000, and so there is a restriction on the acquisition of more than 10% of the shares of AmerUs for the next five years. Mr. Haggerty added that any acquisition of more than 10% of the stock of AmerUs would also require the filing and approval of a Form A Statement under the law of five (5) states: Indiana, Kansas, New York, Arizona and Iowa.
55. The Commissioner asked, as suggested by Mr. Monson, how the increased expense charges have impacted the dividend scale used for the year 2000, which will become the basis for the dividend scale used in connection with the Closed Block, and how those expense charges compare to the expense charges used for similar policies issued following 1992. Mr. Prible stated, in reply, that he believes the total aggregate expense levels that are charged in the dividend scale are appropriate. Operating costs for Indianapolis Life have increased and there has been no change in the expense factor of the dividend scales since 1990. Mr. Prible also testified that Indianapolis Life has incurred extraordinary expenses during the 1990s, and did not charge those expenses to the dividend scale. Mr. Prible then testified that Indianapolis Life's actuaries and its actuarial advisor both have advised that the allocation of expense charges among different groups of policies are appropriate and supportable by accepted actuarial standards and practices.

56. In summary, the Commissioner has considered all of the comments and testimony and finds that criticisms raised during the course of the public hearing are sufficiently addressed by the Plan, the Application, the Exhibits, and the testimony of the representatives of Indianapolis Life. Furthermore, the Commissioner finds that the Plan and the Indiana Demutualization Law contain sufficient safeguards to protect against potential abuses or problems described in the comment letters and the testimony.
57. Following the Conversion and Combination, Indianapolis Life will have substantially the same assets, liabilities and capital as before, and will be a member of a much larger enterprise with increased financial resources and stability. The Conversion and Combination will not reduce Indianapolis Life's ability to pay claims and benefits to its policyholders. Under the Plan, the Membership Interests of Indianapolis Life's Eligible Members will be exchanged for either an ownership interest in AmerUs, or cash or policy credits, an economic benefit that is not available without the Conversion. As shareholders of AmerUs, Indianapolis Life's Members will have the right to vote for the directors of AmerUs, and the right to receive any shareholder dividends AmerUs declares. The Commissioner finds that the Closed Block as set forth in the Application, the Plan and all Exhibits fully protects the reasonable dividend expectations of participating policyholders. Based on a review of the provisions of the Application, the Plan, the Exhibits and the comments made at the public hearing, there is no credible evidence that Indianapolis Life's policyholders or Members would be harmed or prejudiced in any material respect by the adoption and implementation of the Plan.
58. Indianapolis Life has presented substantial credible evidence that the amendments to Indianapolis Life's Articles of Incorporation and implementation of the Plan would be beneficial to Indianapolis Life and its policyholders and Members by, among other things, allowing Indianapolis Life to grow through enhanced financial stability and access to capital, to improve its financial strength, to improve its organizational flexibility and to increase the size and efficiency of its distribution network. Indianapolis Life's financial advisor, Goldman Sachs & Co., and the Department's financial advisor, Dresdner Kleinwort Wasserstein, Inc., each provided fairness opinions that the transaction was fair from a financial point of view to policyholders who are Eligible Members of Indianapolis Life taken as a group. Both Goldman Sachs & Co. and Dresdner Kleinwort Wasserstein, Inc., also advised that the aggregate amount of consideration to be distributed to policyholders was greater than the statutory surplus of Indianapolis Life.

CONCLUSIONS OF LAW

1. The Commissioner concludes that Indianapolis Life has complied with the notice and publication requirements of Indiana Code 27-15-4-4 and Indiana Code 27-15-4-5.
2. The Commissioner concludes that Indianapolis Life has demonstrated that the methodology used to determine the amount and allocation of policyholder consideration is fair to Indianapolis Life's Eligible Members.
3. The Commissioner concludes that Indianapolis Life has demonstrated that the Plan meets the requirements of Indiana Code 27-15-2-2. In particular, the Commissioner concludes

that Article VIII of the Plan and Plan Exhibits I, J, and K thereto are fair and provide for the protection of the reasonable dividend expectations of those Members owning policies that receive dividends, and that the Closed Block complies with the requirements of the Indiana Demutualization Law.

4. The Commissioner concludes that the Application is properly supported by the required documents and testimony and meets all of the requirements of the Indiana Demutualization Law.
5. The Commissioner concludes, as required by Indiana Code 27-15-4-8, that Indianapolis Life has amply demonstrated: (i) that the Plan complies with the requirements of the Indiana Demutualization Law and other applicable laws; (ii) that the Plan, the amount, form, and methodology of calculation of policyholder consideration are fair, reasonable, and equitable to Indianapolis Life's Eligible Members; (iii) that the Conversion will not prejudice the interests of Indianapolis Life's other policyholders; and (iv) that the total amount of policyholder consideration to be provided to Indianapolis Life's Eligible Members upon extinguishing the Membership Interests is greater than Indianapolis Life's statutory surplus.
6. The Commissioner hereby approves the amendments to Indianapolis Life's Articles of Incorporation and the Plan and the Conversion conditioned upon: (i) submission of a Private Letter Ruling from the United States Internal Revenue Service in respect of the Conversion and Combination or receipt of a written Tax Opinion from Caplin & Drysdale, Chartered regarding the tax consequences of the Conversion and Combination; and (ii) approval of the Plan by the Members of Indianapolis Life as required by Indiana Code 27-15-5-7.

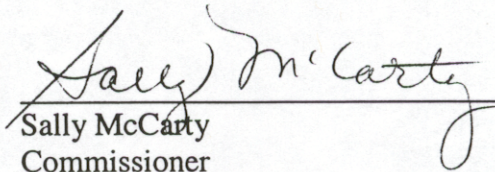
ORDER

NOW, THEREFORE, the Commissioner hereby ORDERS:

1. The proposed Conversion of Indianapolis Life and the amendments to Indianapolis Life's Articles of Incorporation, pursuant to and subject to the terms and conditions of the Application and all Exhibits thereto, the Plan and all Exhibits thereto, as supplemented at the Hearing, the Hearing Exhibits, and these Findings of Fact, Conclusions of Law and Order are hereby APPROVED.

2. The implementation of the Plan is hereby conditioned upon (i) submission of a Private Letter Ruling from the United States Internal Revenue Service in respect of the Conversion and the Combination or receipt of a written Tax Opinion from Caplin & Drysdale, Chartered regarding the tax consequences of the Conversion and the Combination; and (ii) approval of the Plan by the Members of Indianapolis Life as required by Indiana Code 27-15-5-7.

3. Any finding of fact, designated as such, which is more appropriately a conclusion of law, and any conclusion of law, designated as such, which is more appropriately a finding of fact, shall be accorded the proper character and construed so as to give effect to all the provisions herein.


Sally McCarty
Commissioner
Indiana Department of Insurance

Dated: April 11, 2001

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